

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

LINCOLN PARK HOUSING COMMISSION

Financial Statements

March 31, 2006

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

TABLE OF CONTENTS

	<u>Page</u>
Management Discussion and Analysis	i
Independent Auditor's Opinion	ii
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
 <u>SUPPLEMENTAL DATA</u>	
Combining Balance Sheet	10
Combining Statement of Income and Expenses	11
Schedule of Annual Federal Awards	12
Status of Prior Audit Findings	13
Report on Compliance Applicable with Requirements to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	14
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	16
Schedule of Findings and Questioned Cost	17

LINCOLN PARK HOUSING COMMISSION
1356 Electric
Lincoln Park, Michigan 48146

This discussion and analysis of the Lincoln Park Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Entity-Wide Financial Highlights

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2006</u>	<u>Year 2005</u>
Operating Subsidies	\$ 188,858	\$ 200,049
Section 8 Housing Choice Vouchers	2,061,093	1,859,637
Section 8 Mod Rehab	176,664	137,930
Capital Projects Funds	74,764	101,768

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2006</u>	<u>Year 2005</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 893,789	\$ 424,695	469,094
Accounts Receivable	1,130	2,145	(1,015)
Prepaid Expenses	30,413	16,318	14,095
Fixed Assets, prior to Depreciation	5,750,749	5,704,378	46,371
Total Liabilities	106,696	124,735	(18,039)
Net Assets	2,150,135	1,822,464	327,671

	<u>Year 2006</u>	<u>Year 2005</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	274,271	268,348	5,923
HUD Grants	2,501,379	2,299,384	201,995
Other Revenues	<u>219,611</u>	<u>47,431</u>	172,180
Total Revenue	<u>2,995,261</u>	<u>2,615,163</u>	380,098
Expenses:			
Administrative	351,489	337,906	13,583
Tenant Services	10,366	0	10,366
Utilities	137,634	119,853	17,781
Maintenance & Operations	206,876	189,847	17,029
Protective Services	2,716	3,913	(1,197)
General Expenses	<u>40,291</u>	<u>59,465</u>	(19,174)
Total Operating Expenses	<u>749,372</u>	<u>710,984</u>	38,388
Depreciation Expense	221,064	221,064	0
Housing Assistance Payments	<u>1,712,119</u>	<u>1,893,381</u>	(82,289)
Total Non Operating Exp	<u>1,933,183</u>	<u>2,114,445</u>	181,262
Total Expenses	<u>2,682,555</u>	<u>2,825,429</u>	(142,874)
Net Change in Net Assets	312,706	(210,266)	522,972

Our cash position increased \$ 469,094, this is a result an increase in net income before depreciation of \$ 533,770- we also purchased fixed assets in the amount of \$ 46,371, and decreased total liabilities \$ 18,039. Accounts receivable decreased, prepaid expenses increased as a result of a larger portion of our prepaid insurance was unexpired at year end. Net Assets increased by \$ 327,671, as a result of net income of \$ 312,706, correction of the prior years PILOT accrual of \$ 7,465, and recording of a prior year deposit being carried as a reconciling item for \$ 7,500.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, Capital grants authorized and obligated during the year, and Housing Assistance grants. Total HUD grants were higher by \$ 201,995; primarily due to increase in Housing Assistance grants.

Other income increased \$ 172,180- the majority of the increase was due to a non dwelling lease to Nextel, in the current year back payments for rent and electric use in the amount of \$ 146,000 were received.

Several expense accounts increased/decreased, but the total of all expenses increased approximately 5% which is in line with current inflation rates.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2006</u>	<u>Year 2005</u>
Low Rent Public Housing	119	119
Section 8 Vouchers	289	289
Section 8 Mod Rehab	35	35

General Fund Budgetary Highlights

The Commission approved an operating budget on March 15, 2005 for the fiscal year ending March 31, 2006, and we did not feel the need to amend the budget.

The significant differences between actual and budget are as follows:

Other income was budgeted for \$ 36,970, actual was \$ 219,611; as stated before the increase was due to the back payments received from Nextel which were unanticipated at the beginning of the year. Net income budgeted was \$ 39,109 less than actual, as a result of the under budgeted other income.

Entity Wide Capital Assets

The fixed assets increased \$ 46,371 prior to depreciation. The additions were repairs to common areas and architect cost for future Capital Fund Projects (CFP). We drew \$ 66,764 from our CFP programs for operations.

Commission's Position

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Sabrina Gaddy, Property Supervisor
% Fourmidable
32605 W 12 Mile Road
Farmington Hills, Michigan 48334

John C. DiPiero, P.C.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
Tel / Fax (989) 642-2092

Board of Commissioners
Lincoln Park Housing Commission
1356 Electric
Lincoln Park, Michigan 48146

Independent Auditor's Report

I have audited the Business Type Activities Of the Lincoln Park Housing Commission as of and for the year ended March 31, 2006. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln Park Housing Commission as of March 31, 2006, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

September 15, 2006

LINCOLN PARK HOUSING COMMISSION
Statement of Net Assets
March 31, 2006

ASSETS

C-3175

CURRENT ASSETS

Cash & Cash Equivalents	\$	893,789	
Accounts Receivable		1,105	
Accounts Receivable- Miscellaneous		25	
Prepaid Expenses		<u>30,413</u>	
Total Current Assets	\$		925,332

NON CURRENT ASSETS

Land	\$	87,209	
Buildings		5,428,771	
Furniture, Equipment- Dwellings		85,894	
Furniture, Equipment- Administrative		140,875	
construction in Progress		8,000	
Accumulated Depreciation		<u>(4,419,250)</u>	
Total Non Current Assets			<u>1,331,499</u>

<u>TOTAL ASSETS</u>	\$	<u>2,256,831</u>
---------------------	----	------------------

LINCOLN PARK HOUSING COMMISSION
Statement of Net Assets
March 31, 2006

LIABILITIES

C-3175

CURRENT LIABILITIES

Accounts Payable	\$ 17,578	
Accrued Wages & Payroll Taxes	8,142	
Accounts Payable- Other Government	29,022	
Tenants Security Deposit	29,287	
Deferred Revenue	3,632	
Accrued Liabilities-Other	<u>19,035</u>	
<u>TOTAL LIABILITIES</u>		\$ 106,696

Net Assets

Investment in Fixed Assets		
net of Related Debt	\$ 1,331,499	
Unrestricted Net Assets	<u>818,636</u>	
<u>TOTAL NET ASSETS</u>		<u>2,150,135</u>
<u>TOTAL LIABILITIES & NET ASSETS</u>		\$ <u>2,256,831</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements.

LINCOLN PARK HOUSING COMMISSION
Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended March 31, 2006

OPERATING REVENUE

Tenant Rental Revenue	\$ 274,271	
HUD Grants	2,493,379	
Interest Income	18,208	
Other Income	<u>201,403</u>	
<u>Total Operating Revenue</u>		\$ 2,987,261

OPERATING EXPENSES

Administrative	\$ 351,489	
Tenant Services	10,366	
Utility Expenses	137,634	
Ordinary Maintenance	206,876	
Protective Services	2,716	
General Expenses	<u>40,291</u>	
<u>Total Operating Expenses</u>		<u>749,372</u>
<u>Operating Income (Loss)</u>		\$ 2,237,889

NONOPERATING REVENUE (EXPENSES)

Housing Assistance Payments	\$ (1,712,119)	
Depreciation Expenses	<u>(221,064)</u>	
<u>Total NonOperating Revenue (Expenses)</u>		<u>(1,933,183)</u>
<u>Income (Loss) before Contributions</u>		\$ 304,706

CAPITAL CONTRIBUTIONS

<u>Changes in Net Assets</u>		\$ 8,000
<u>Changes in Net Assets</u>		\$ 312,706
Total Net Assets- Beginning	\$ 1,822,464	
Missed deposit in prior year	7,500	
Correction of PILOT accrual	<u>7,465</u>	
		<u>1,837,429</u>
 Total Net Assets- Ending		 \$ <u>2,150,135</u>

The Accompanying Notes are an Integral part of the Financial Statements

LINCOLN PARK HOUSING COMMISSION
Statement of Cash Flows
For the Year Ended March 31, 2006

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 273,844
Payments to Suppliers	(2,248,129)
Payments to Employees	(231,240)
HUD Grants	2,501,379
Other Receipts (Payments)	<u>219,611</u>
Net Cash Provided (Used) by Operating Activities	\$ 515,465

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	<u>(46,371)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 469,094
Cash Balance- Beginning of Year	<u>424,695</u>
Cash Balance- End of Year	\$ <u>893,789</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ 312,706
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	221,064
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	1,015
Prepaid Expenses	(14,095)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	8,557
Accrued Liabilities	1,160
Accounts Payable-HUD	(12,285)
Accounts Payable-Other governments	(979)
Security Deposits	(1,952)
Deferred Revenue	<u>274</u>
Net Cash Provided by Operating Activities	\$ <u>515,465</u>

The Accompanying Notes are an Integral part of the Financial Statements

LINCOLN PARK HOUSING COMMISSION
Notes to Financial Statements
March 31, 2006

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Lincoln Park. Housing Commission, Lincoln Park, Michigan, (Commission) was created by ordinance of Lincoln Park. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 32-001	Low rent program	119	units
MI 32-V0 032-2, 3	Section 8 Vouchers	289	units
	Section 8 Mod Rehab	35	units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, the component unit is reported as a blend in the financial data schedule.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided that they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Checking Accounts	\$ 893,289
Petty Cash	<u>500</u>
Financial Statement Total	<u>\$ 893,789</u>

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

Notes to Financial Statements- continued

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Checking A/C's	\$ 893,289	\$	\$	\$ 893,289	\$ 893,289
Petty Cash	<u>500</u>			<u>500</u>	<u>500</u>
Total Cash	\$ <u>893,789</u>	\$	\$	\$ <u>893,789</u>	\$ <u>893,789</u>

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Land	\$ 87,209	\$	\$	\$ 87,209
Buildings	1,737,499	3,691,272		5,428,771
Furniture & Equipment-Dwellings	73,220	12,674		85,894
Furniture & Equipment-Admin	140,875			140,875
Construction in Progress		8,000		8,000
Leasehold Improvements	<u>3,665,575</u>		<u>3,665,575</u>	<u>0</u>
	\$ 5,704,378	\$3,711,946	\$3,665,575	\$ 5,750,749
Less Accumulated Depreciation	<u>4,200,333</u>	<u>221,064</u>	<u>2,147</u>	<u>4,419,250</u>
	\$ <u>1,504,045</u>	\$ <u>3,490,882</u>	\$ <u>3,663,428</u>	\$ <u>1,331,499</u>

Note 4: Accrued Liabilities-Other

Accrued Liabilities-other, consist of the following:

Accrued Management Fees	\$ 8,404
Miscellaneous	1,598
Accrued Utilities Payable	<u>9,033</u>
Financial Statement Total	\$ <u>19,035</u>

Note 5: Pension Plan

The Commission provides a 401K plan for all eligible full time employees. The Commission contributes a percentage of eligible employees wages to the plan and accounts for pension cost as incurred.

Notes to Financial Statements- continued

Note 6: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 11,444,630
General Liability	2,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 7: Combining Financial Data Schedules.

The totals in the Combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 8: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Lincoln Park Housing Commission

31-Mar-06

MI-051

Combining Balance Sheet		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.854	Section 8 Mod Rehab 14.856	Component Unit	Capital Projects Funds 14.872	TOTAL
Line Item #							
	ASSETS:						
	CURRENT ASSETS:						
	Cash:						
111	Cash - unrestricted	402,745	421,368	17,377	52,299		893,789
112	Cash - restricted - modernization and development						-
113	Cash - other restricted						-
114	Cash - tenant security deposits	-					-
100	Total cash	402,745	421,368	17,377	52,299	-	893,789
	Accounts and notes receivables:						
121	Accounts receivable - PHA projects						-
122	Accounts receivable - HUD other projects	-		-		-	-
124	Accounts receivable - other government						-
125	Accounts receivable - miscellaneous	-		25			25
126	Accounts receivable- tenants - dwelling rents	1,105			-		1,105
126.1	Allowance for doubtful accounts - dwelling rents	-					-
126.2	Allowance for doubtful accounts - other						-
127	Notes and mortgages receivable- current				-		-
128	Fraud recovery						-
128.1	Allowance for doubtful accounts - fraud						-
129	Accrued interest receivable	-	-				-
120	Total receivables, net of allowances for doubtful accounts	1,105	-	25	-	-	1,130
	Current investments						-
131	Investments - unrestricted	-	-		-		-
132	Investments - restricted				-		-
142	Prepaid expenses and other assets	30,113			300		30,413
143	Inventories	-					-
143.1	Allowance for obsolete inventories	-					-
144	Interprogram - due from	-	-	53,873			53,873
146	Amounts to be provided						-
150	TOTAL CURRENT ASSETS	433,963	421,368	71,275	52,599	-	979,205
	NONCURRENT ASSETS:						
	Fixed assets:						
161	Land	87,209	-	-	-		87,209
162	Buildings	5,428,771			-		5,428,771
163	Furniture, equipment & machinery - dwellings	85,894	-		-		85,894
164	Furniture, equipment & machinery - administration	64,211	76,664				140,875
165	Leasehold improvements	-				-	-
167	Construction in Progress					8,000	8,000
166	Accumulated depreciation	(4,361,894)	(57,356)		-	-	(4,419,250)
160	Total fixed assets, net of accumulated depreciation	1,304,191	19,308	-	-	8,000	1,331,499
171	Notes and mortgages receivable - non-current				-		-
172	Notes and mortgages receivable-non-current-past due						-
174	Other assets				-		-
175	Undistributed debits						-
176	Investment in joint ventures						-
180	TOTAL NONCURRENT ASSETS	1,304,191	19,308	-	-	8,000	1,331,499
190	TOTAL ASSETS	1,738,154	440,676	71,275	52,599	8,000	2,310,704

	LIABILITIES AND EQUITY:						
	LIABILITIES:						
	CURRENT LIABILITIES	-					
311	Bank overdraft	-					-
312	Accounts payable ≤ 90 days	17,578	-		-	-	17,578
313	Accounts payable > 90 days past due						-
321	Accrued wage/payroll taxes payable	5,261	1,372	1,509			8,142
322	Accrued compensated absences	-	-				-
324	Accrued contingency liability						-
325	Accrued interest payable						-
331	Accounts payable - HUD PHA programs		-	-			-
332	Accounts Payable - PHA Projects						
333	Accounts payable - other government	29,022	-				29,022
341	Tenant security deposits	29,287		-	-		29,287
342	Deferred revenues	3,632			-		3,632
343	Current portion of Long-Term debt - capital projects				-		-
344	Current portion of Long-Term debt - operating borrowings						-
345	Other current liabilities	-	-	-	-		-
346	Accrued liabilities - other	11,055	5,499	2,481			19,035
347	Inter-program - due to	-	53,873	-		-	53,873
310	TOTAL CURRENT LIABILITIES	95,835	60,744	3,990	-	-	160,569
	NONCURRENT LIABILITIES:						
351	Long-term debt, net of current- capital projects				-		-
352	Long-term debt, net of current- operating borrowings						-
353	Noncurrent liabilities- other	-					-
354	Accrued Compensated Absences-non current	-					-
350	TOTAL NONCURRENT LIABILITIES	-	-	-	-	-	-
300	TOTAL LIABILITIES	95,835	60,744	3,990	-	-	160,569
	EQUITY:						
501	Investment in general fixed assets						-
	Contributed Capital:						
502	Project notes (HUD)						-
503	Long-term debt - HUD guaranteed						-
504	Net HUD PHA contributions	-	-				-
505	Other HUD contributions	-					-
507	Other contributions	-					-
508	Total contributed capital	-	-	-	-	-	-
508.1	Investment in Fixed Assets net of related debt	1,304,191	19,308			8,000	1,331,499
	Reserved fund balance:						-
509	Reserved for operating activities						-
510	Reserved for capital activities						-
511	Total reserved fund balance	-	-	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-	-	-
512.1	Unrestricted Net Assets	338,128	360,624	67,285	52,599		818,636
513	TOTAL EQUITY	1,642,319	379,932	67,285	52,599	8,000	2,150,135
600	TOTAL LIABILITIES AND EQUITY	1,738,154	440,676	71,275	52,599	8,000	2,310,704

- - - - -

Lincoln Park Housing Commission

31-Mar-06

MI-051

Combining Statement of Revenue & Expenses		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.854	Section 8 Mod Rehab 14.856	Component Unit	Capital Projects Funds 14.872	TOTAL
Line Item #							
	REVENUE:						
703	Net tenant rental revenue	274,271			-		274,271
704	Tenant revenue - other	-					-
705	Total tenant revenue	274,271	-	-	-	-	274,271
706	HUD PHA grants	188,858	2,061,093	176,664		74,764	2,501,379
708	Other government grants						-
711	Investment income - unrestricted	9,294	8,126	31	757		18,208
712	Mortgage interest income	-					-
714	Fraud recovery		-				-
715	Other revenue	167,477	26,211	3,025	4,690		201,403
716	Gain or loss on the sale of fixed assets	-					-
720	Investment income - restricted				-		-
700	TOTAL REVENUE	639,900	2,095,430	179,720	5,447	74,764	2,995,261
	EXPENSES:						
	Administrative						
911	Administrative salaries	97,043	30,186	2,909	-		130,138
912	Auditing fees	2,300	1,225	275	-		3,800
913	Outside management fees	48,075	45,656	6,343	-		100,074
914	Compensated absences	46	-				46
915	Employee benefit contributions- administrative	14,262	7,237	1,548	-		23,047
916	Other operating- administrative	80,768	8,859	4,477	280	-	94,384
	Tenant services						
921	Tenant services - salaries	-					-
922	Relocation costs						-
923	Employee benefit contributions- tenant services	-					-
924	Tenant services - other	10,366				-	10,366
	Utilities						
931	Water	26,955			-		26,955
932	Electricity	67,426			-		67,426
933	Gas	43,253					43,253
934	Fuel						-
935	Labor						-
937	Employee benefit contributions- utilities						-
938	Other utilities expense	-					-
	Ordinary maintenance & operation						
941	Ordinary maintenance and operations - labor	64,127	36,975	-			101,102
942	Ordinary maintenance and operations - materials & other	8,692			-		8,692
943	Ordinary maintenance and operations - contract costs	78,986			-		78,986
945	Employee benefit contributions- ordinary maintenance	9,410	8,686	-			18,096
	Protective services						
951	Protective services - labor						-

952	Protective services- other contract costs						-
953	Protective services - other	2,716					2,716
955	Employee benefit contributions- protective services						-
	General expenses						
961	Insurance premiums	25,363	-		-		25,363
962	Other General Expenses				-		-
963	Payments in lieu of taxes	13,980			-		13,980
964	Bad debt - tenant rents	948			-		948
965	Bad debt- mortgages						-
966	Bad debt - other						-
967	Interest expense				-		-
968	Severance expense						-
969	TOTAL OPERATING EXPENSES	594,716	138,824	15,552	280	-	749,372
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	45,184	1,956,606	164,168	5,167	74,764	2,245,889
971	Extraordinary maintenance	-			-		-
972	Casualty losses - non-capitalized	-					-
973	Housing assistance payments		1,572,637	139,482			1,712,119
974	Depreciation expense	218,919	2,145	-	-		221,064
975	Fraud losses						-
976	Capital outlays- governmental funds	-					-
977	Debt principal payment- governmental funds						-
978	Dwelling units rent expense						-
900	TOTAL EXPENSES	813,635	1,713,606	155,034	280	-	2,682,555
	OTHER FINANCING SOURCES (USES)						
1001	Operating transfers in	66,764			-	(66,764)	-
1002	Operating transfers out						
1003	Operating transfers from/to primary government						
1004	Operating transfers from/to component unit						
1005	Proceeds from notes, loans and bonds						
1006	Proceeds from property sales						
1010	TOTAL OTHER FINANCING SOURCES (USES)	66,764	-	-	-	(66,764)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TO	(106,971)	381,824	24,686	5,167	8,000	312,706

LINCOLN PARK HOUSING COMMISSION
Schedule of Annual Federal Awards
For the Year Ended March 31, 2006

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
<u>CFDA 14.850 Public and Indian Housing</u>	
C-3175 Operating Subsidies	\$ <u>188,858</u>
* <u>CFDA 14.871 Housing Assistance Programs</u>	
C-3175V Housing Choice Vouchers	\$ <u>2,061,093</u>
<u>CFDA 14.856 Section 8 Mod Rehab</u>	
C-3175 Section 8 Mod Rehab	\$ <u>176,664</u>
<u>CFDA 14.872 Capital Projects Funds</u>	
C-3175 Capital Projects Grants	\$ <u>74,764</u>
	\$ <u>2,501,379</u>

*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 11,444,630
General Liability	2,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders:	
minimum coverage's required by the State of Michigan	

LINCOLN PARK HOUSING COMMISSION
Status of Prior Audit Findings
March 31, 2006

The prior audit of the Lincoln Park Housing Commission for the period ended March 31, 2005, contained three audit findings; the following represents the actions taken by the Commission:

- 1) Tenant Accounting Discrepancies-Low Rent Program- A review of tenant files did not reveal any discrepancies.
- 2) Tenant Accounting Discrepancies-Sec 8 Vouchers- A review of tenant files did not reveal any discrepancies.
- 3) Tenant Accounting Discrepancies-Sec 8 Mod Rehab- A review of tenant files did not reveal any discrepancies.

LINCOLN PARK HOUSING COMMISSION
Report on Compliance with Requirements
Applicable to Each Major Program
and on Internal Control over Compliance in
Accordance with OMB Circular A-133
March 31, 2006

Compliance

I have audited the compliance of Lincoln Park Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2006. Lincoln Park Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lincoln Park Housing Commission's management. My responsibility is to express an opinion on Lincoln Park Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln Park Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Lincoln Park Housing Commission's compliance with those requirements.

In my opinion, Lincoln Park Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2006.

Internal Control over Compliance

The management of Lincoln Park Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Lincoln Park Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

September 15, 2006

LINCOLN PARK HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
March 31, 2006

I have audited the financial statements of Lincoln Park Housing Commission, Lincoln Park, Michigan, as of and for the year ended March 31, 2006, and have issued my report thereon dated September 15, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lincoln Park Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lincoln Park Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Lincoln Park Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

September 15, 2006

LINCOLN PARK HOUSING COMMISSION
Schedule of Findings and Questioned Cost
March 31, 2006

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Section 8 Housing Choice Vouchers	X	
Low income Public Housing		X
Section 8 Mod Rehab		X
Capital Fund Program		X

Opinions:

General Purpose Financial Statements-

unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
-----------------------------	-----------	------------------

Reportable condition(s) noted	_____ Yes	_____ X _____ No
-------------------------------	-----------	------------------

Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No
---	-----------	------------------

Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
-----------------------------	-----------	------------------

Reportable condition(s) noted	_____ Yes	_____ X _____ No
-------------------------------	-----------	------------------

Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No
---	-----------	------------------

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.